

PHILIP MORRIS MANAGEMENT CORP. INTEROFFICE CORRESPONDENCE

120 PARK AVENUE, NEW YORK, NY 10017-5592

To: Murray H. Bring Date: July 22, 1994
From: Steven C. Parrish *SCP*
Subject: PM USA Legal Department Monthly Report - July 1994

SALES

We are advising Sales in connection with a proposed Masters program for military outlets. The program will be a variant of Retail Masters and will offer outlets a series of agreements based on whether sales of cigarettes are primarily by pack or by carton, and whether or not merchandising is self-service.

We have reviewed and revised presentations to be made to the Field Sales Force on the importance of point-of-sale materials to our visibility efforts.

We have drafted agreements for the upcoming five Regional LEAP meetings to be held around the country. We have also drafted agreements for the PM USA exhibit at the July AWMA convention in Denver, Colorado.

We attended Region 5's management meeting in Los Angeles where we made a presentation on guidelines for conducting pricing discussions with retailers.

MARKETING & ADVERTISING

We have continued to participate in a Retail Promotion task force comprising representatives of each brand group, the purchasing department and finance. The task force was formed following several instances of delayed deliveries resulting in the reduction or cancellation of all or part of a retail program. The task force will report their recommendations to senior management for Finance, Marketing and Purchasing next month.

We have continued to attend meetings of a Marlboro Adventure Team ("MAT") control group formed to resolve data processing and merchandise fulfillment issues and a Marlboro Country Store ("MCS") control group which meets weekly for planning purposes and to monitor data processing and merchandise fulfillment issues.

In compliance with the Federal Trade Commission's Mail Order Rule, we prepared delay letters delivered to consumers who will not receive MAT merchandise within the time period stated in our original offer. Unfortunately, the number of delayed shipments currently exceeds all prior projections.

We have responded to complaints received from state and local authorities and consumers objecting, primarily, to delays in the delivery of MAT merchandise.

2041211024

2041211024

We participate in weekly conference calls of and provide advice to, the telemarketing and fulfillment vendors and Philip Morris personnel involved in the MAT, Merit Rewards, Cambridge, Parliament Getaway and MCS continuity programs.

We reviewed and approved a variety of direct mail and point-of-sale materials and trade overlays to be distributed in connection with MCS and a national sweepstakes overlay.

We have attended weekly status meetings of the Parliament, Merit and Discount brand groups in order to provide legal advice during the developmental stages for advertising and promotions.

FINANCE

We reviewed a request-for-proposal package for conducting freight audit services for PM USA.

We have been advising Finance on several issues that have arisen as PM USA transfers its coupon redemption services from the Promotional Service Center in Kankakee to CMS.

CORPORATE AFFAIRS

Routine advice was given with respect to the legality of political contributions, gifts and honoraria.

Legislative proposals introduced in state and municipal legislative bodies were reviewed; analysis and argumentation were also provided.

Contracts were prepared for the Corporate Affairs Department and routine review of various communication strategies was provided.

We attended the Corporate Affairs conference and made a presentation on model legislation.

OPERATIONS

In the B&W litigation, we are briefing the Company's motion for a bifurcated trial.

We closed on a long-term agreement with Universal Leaf Tobacco for buying, extrusion, stemming, hogshead repair and blending services.

We closed on an agreement for a new vendor-operated finished goods warehouse in Richmond.

We assisted Environmental Compliance & Engineering in conducting a follow-up audit at Louisville.

2041211025

2041211025

In the Barger matter, we finalized the settlement agreement and secured the necessary court approval of the agreement.

We are supervising approximately five routine commercial and environmental litigations.

We provided routine advice and contract drafting support to Operations management.

MISCELLANEOUS

We assisted in the preparation of a complaint to be filed in Talbot County Maryland challenging the ETS regulation published by the Maryland Occupational Safety and Health Administration. We had intended to file the complaint as soon as the regulations were published in final form (which was scheduled to occur at 2:30pm on July 22nd.) ASH, however, filed a motion at 10:00am on July 22nd seeking to join PM and TI as involuntary parties to an action it had commenced in Baltimore City which challenged that portion of the regulation which permitted smoking in designated areas. As the ASH motion was granted, PM decided to withdraw its name as a Plaintiff in Talbot County so as not to interfere with the merits of the Talbot County challenge. We will also move to have ourselves dismissed from the Baltimore City action and will join the Talbot County action when appropriate.

We assisted in the preparation of a challenge to the Washington regulation on ETS issued by the Washington State Department of Labor & Industries. An amended complaint including PM was filed on July 21st.

We are proceeding to collect documents in response to the FTC subpoena which was issued pursuant to the FTC investigation of the BAT acquisition of ATC.

PATENT ACTIVITIES SUMMARY FOR PERIOD ENDING 7/21/94

- 49 **Disclosures Being Prepared for Filing**
 - o (34) Disclosures Being Prepared In-House
 - o (9) Disclosures Being Prepared by Outside Counsel
 - o (6) Disclosures On Hold
- 99 **Applications Pending at PTO**
 - o (66) Being Prosecuted In-House
 - o (11) Being Prosecuted by Outside Counsel
 - o (22) Prosecution Closed-Close to Issuance
- 76 **US Patents Issued in 1993**
- 14 **US Patents Issued to Date in 1994**
- 471 **Foreign Applications Pending**

2041211026

2041211026